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ABSTRACT

In the 1980s, the falling incomes and climbing poverty rates characterizing young workers in rural America were closely linked to rapidly changing national and international economic systems. Findings of a recent Senate Budget Committee study indicate that between 1979 and 1987 the share of young workers (ages 16-34) with low-wage jobs increased nationally by 4.7%. Further analysis of the committee data reported in this document shows that the share of young rural workers having low-wage jobs increased by 11% in those years compared to 4% for young urban workers. The mean earnings of young rural workers fell by 13% compared to an increase of 1% for young workers in urban areas. The decline in wages for young rural workers was pervasive, although men, blacks, and part-time workers experienced a bigger decline in wages than did women, whites, or full-time workers. Wages of young rural workers in every sector declined, but those in extractive industries, manufacturing, and trade experienced the biggest decrease in earnings in every region except New England. The wage decrease for young workers is related to the rise of the poverty rate for young rural families (those headed by persons ages 18 to 29) from 19% in 1979 to 32% in 1986. The rise of poverty for young rural families along with the shifting economic fortunes of male and female workers in rural America are likely to have ramifications for marriage and family. This report, which bears on the issue of school to work transition in rural areas, contains statistical tables and 28 references. (ALL)

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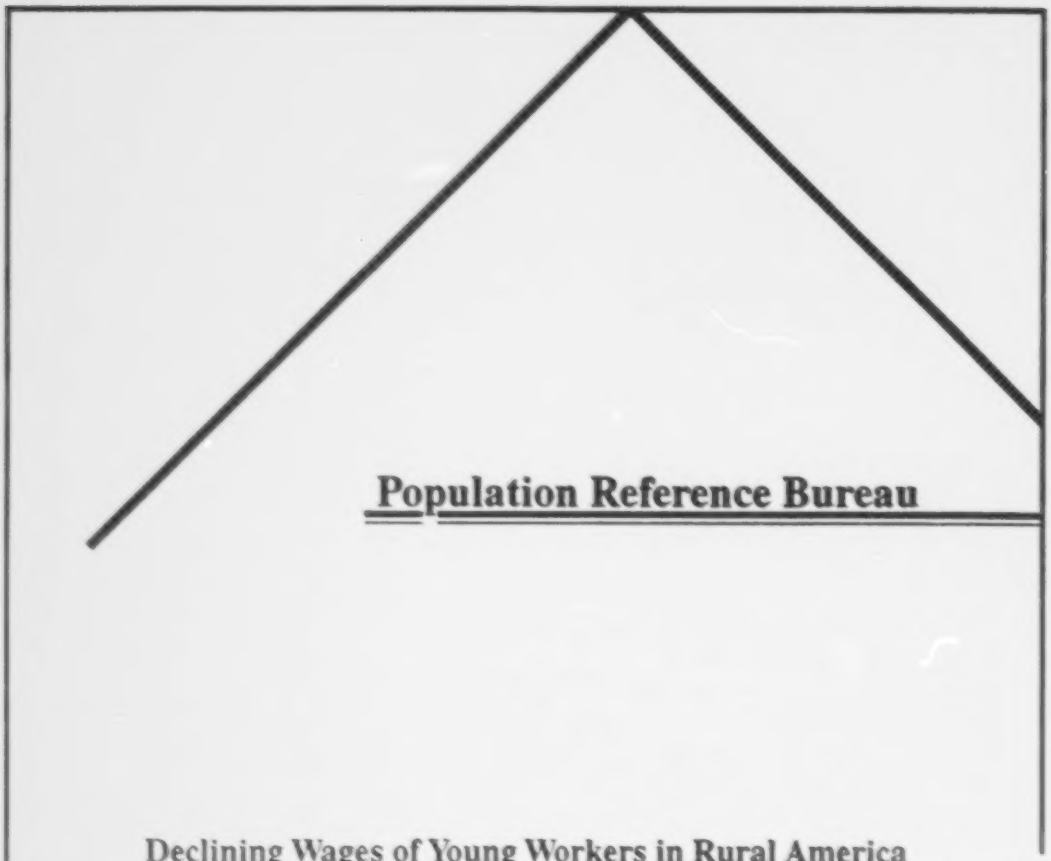

Population Reference Bureau

Declining Wages of Young Workers in Rural America

by

William O'Hare and Anne Pauti

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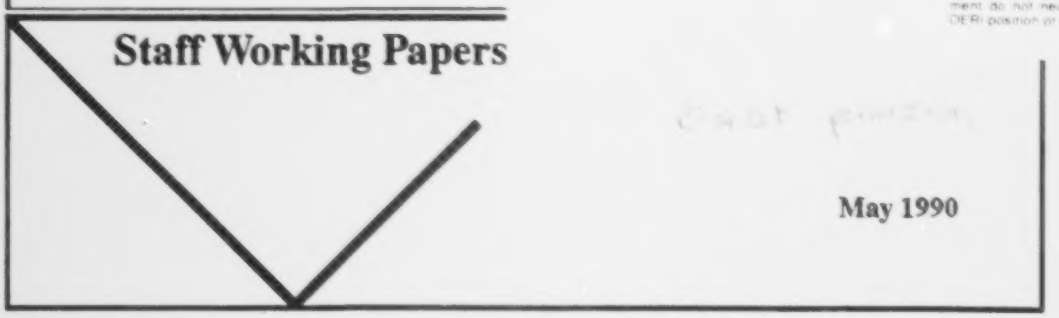

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EXECUTIVE SUMMARY

This paper extends a recent Senate Budget Committee study by examining changes in the share of young rural workers (ages 16-34) in low-wage jobs during the 1980s. The analysis compares changes in the wages of young workers in rural (non-metropolitan) areas with those in urban (metropolitan) areas across a variety of worker characteristics and job types including sex, race, full-time/part-time status, sector (service, manufacturing, etc.) and regional location.

The Senate Budget Committee found that nationwide the share of young workers with low-wage jobs increased by 4.7 percentage points between 1979 and 1987. Our analysis shows that the share of young rural workers having low-wage jobs increased by 11 percentage points between 1979 and 1987, compared to 4 percentage points for young urban workers. The mean earnings of young rural workers fell by 13 percent between 1979 and 1987, compared to an increase of one percent among young workers in urban areas.

The decline in wages for young rural workers was pervasive, although wages declined more for some groups than for others. Men, blacks, and part-time workers experienced a bigger decline in wages than did women, whites, or full-time workers. Wages of young rural workers in every sector declined, but those in extractive industries, manufacturing and trade experienced the biggest decrease in earnings. Deterioration of wages for young rural workers was found in every region of the country except New England.

The study also found that increased difficulties facing young rural workers over the period were exacerbated by a rising unemployment rate in rural areas and higher rates of underemployment in rural areas than in urban areas.

The falling incomes and climbing poverty rates which characterize the experience of young workers in rural America in the 1980s are closely linked to the significant economic restructuring that has taken place in the past ten years. Rapidly changing national and international economic systems have changed the role of rural workers.

INTRODUCTION

Two major themes can be identified in public discussions of changes that have taken place in the U.S. economy during the 1980s. The first is the **declining income of young workers**, and the second is the **deteriorating economy in rural[1] America.** This study looks at the intersection of these two trends, by examining changes in the wage structure among young workers in rural areas from 1979 to 1987.

The study reported here is an extension of a report published by the U.S. Senate Budget Committee in 1988, which found that the proportion of young workers with low-wage jobs increased by 4.7 percentage points between 1979 and 1987. Our study uses the same data sources and techniques employed by the Senate Budget Committee to compare changes in the wage rates of young rural workers to changes among young workers in urban areas. While the Senate Budget Committee study examined changes among low-wage, middle-wage and high-wage jobs, we concentrate primarily on changes in the share of workers in low-wage jobs.

BACKGROUND

There is a growing concern that the dominant trend in American job creation during the 1980s has been the growth of low-paying jobs and this shift in the distribution of job types has been linked to changes in our class structure. For example, several studies *(Bluestone and Harrison, 1982; Horrigan and Haugen, 1988; Kuttner, 1983; Lawrence, 1984; Rosenthal, 1985)* document the increasing proportion of individuals in the lower classes coupled with a declining concentration of people in the middle class.

Some argue that the increase in low-wage jobs is a consequence of the decline of employment in traditional manufacturing industries and a rapid increase of high-technology and service industries *(Kuttner, 1983)*. Analysts contend that the shift to a service economy means that low-wage jobs are replacing middle-wage jobs which formerly provided the foundation for a large middle class. For example, Johnson et al. *(1989)* state:

Higher-paying manufacturing, in previous decades a primary route to the middle class for many young workers not going on to college, are no longer a major source of employment for those entering the job market. Job opportunities for young workers have shifted to the service sector, typically providing not only lower wages to those with less education but also less full-time and year-round employment, few if any employer-

[1] The terms *rural* and *nonmetropolitan* or *nonmetro* are used interchangeably in this report. The term *rural*, as used here, refers to U.S. counties defined as nonmetropolitan by the U.S. Office of Management and Budget. The terms *urban* and *metropolitan* or *metro* are also used interchangeably to refer to those counties which are part of a Standard Metropolitan Area.

provided benefits, and limited prospects for advancement.

Since many older workers are protected by seniority systems, these changes in the economic structure of the country have had their biggest impact on young workers just entering the labor force. A series of studies have highlighted the economic plight of young workers in the late 1970s and 1980s *(Levy, 1987; Senate Budget Committee, 1988; Johnson, Sum and Weill, 1988)*. These studies indicate that income and wages of young American workers are slipping behind those of previous generations. For example, the Senate Budget Committee found that among workers ages 16 to 34, the share in low-wage jobs increased by 4.7 percentage points while the share in middle-wage jobs fell by 4.8 percentage points between 1979 and 1987. In 1980, the median family income of families headed by someone aged 15 to 24 was 66 percent of the national average median family income, but by 1988, this ratio had slipped to 52 percent *(U.S. Bureau of the Census, 1982 and 1989)*.

Another set of recent studies has focused on the economic distress that has visited rural America in the 1980s *(U.S. Department of Agriculture, 1988; O'Hare, 1988; Shapiro, 1989)*. These studies show that during the recession of the early 1980s unemployment in rural areas rose more rapidly than in urban areas, unemployment peaked at higher levels in rural areas and it has come down more slowly during the recovery of the last 6 years. The higher rates of unemployment and underemployment experienced by rural workers are reflected in a growing income disparity between cities and rural areas *(Barancik, 1990)*.

The result of the economic downturn in rural areas has been falling wages and increased poverty. In 1988, the median family income in metro areas was 35 percent higher than that in nonmetro areas, and the poverty rate in nonmetro areas (16.0 percent) was 31 percent higher than that in metro areas (12.2 percent) *(U.S. Bureau of the Census, 1989)*.

The economic decline of rural America during the 1980s has been accompanied by substantial out-migration which stands in stark contrast to the in-migration experienced during the 1970s. There has been a steady out-migration from rural areas since the early 1980s, and the exodus has been led by younger, better-educated adults. One recent study *(Pollard and O'Hare, 1990)* found that only 31 percent of those who graduated from rural high schools in 1980 were still living in their hometown six years later. By 1986, those who left rural towns had signficantly higher educational attainment and higher incomes than those who stayed behind.

A recent U.S. Department of Agriculture report on rural economic development summarizes events of the last two decades by concluding that, "if rural revitaliza-

tion was the theme of the 1970s, economic stress is the overriding nonmetro issue of the 1980s" *(U.S. Department of Agriculture, 1987, p. 1-2).*

In this study we examine how young workers (ages 16 to 34) in rural areas have fared during the 1980s compared to their urban counterparts. The analysis is extended by looking at several subgroups based on race, sex, part-time/full-time status, sector of employment, and regional location.

WHAT IS A LOW-INCOME WAGE?

Studies which use total income or total earnings to reflect economic status can be misleading because earnings and income may change for reasons unrelated to changes in hourly remuneration. For example, total family income may increase because more members of a household join the paid labor force. Likewise, per capita income may grow over time because the ratio of workers to nonworkers increases. While such increases are often seen as a positive change, they do not reflect how individual workers are faring. We feel that shifts in the real hourly wages of workers provides the best measure of changes in the standard of living provided by a job.

To identify workers in low-wage jobs we employed the government's official poverty threshold. The official poverty threshold for a family of four in 1987 ($11,611 in 1987 dollars), was divided by the number of hours typically worked by a full-time, year-round worker, that is 2,000 hours (40 hours per week during 50 weeks), producing an hourly wage rate of $5.81 as a poverty-level wage. The four-person poverty threshold[2] used for 1979 was $7,564. For 1979, the $7,564 figure was also divided by 2,000 hours and produced a poverty-level hourly wage rate of $3.78.

The March 1980 and 1988 Current Population Survey (CPS) conducted by the U.S. Bureau of the Census provide the data needed to derive hourly wages in 1979 and 1987. The CPS is a national probability sample survey of about 60,000 households fielded monthly by the U.S. Bureau of the Census in cooperation with the U.S. Department of Labor. In the March CPS Demographic Supplement, information is collected on annual earnings in the prior calendar year, along with the number of weeks worked and the usual number of hours worked during a week.

To calculate an hourly wage, the yearly wage and salary income of each individual was divided by the number of hours worked by the individual in that year. If the value was less than $5.81 in 1987 (less than $3.78 in 1979), the individual was categorized as having a low-wage job.

[2] In this study, as in the Senate study, the 1979 poverty-level benchmarks were adjusted by the CPI-X price deflator, yielding slightly higher poverty thresholds for 1979 than the official published number ($7,564 versus $7,412 for a family of four).

In other words, the definition of a low-wage job in this study is one that on a year-round, full-time basis pays so little that if would not lift a family of four out of poverty. A job that pays an hourly wage that is more than four times the poverty threshold for a family of four ($23.24 per hour in 1987) is classified as a high-wage job. Those jobs that pay more than a low-wage job but not as much as a high-wage job are labeled middle-wage jobs.

Using the hourly wage earned by a person as the method of defining low-wage, middle-wage and high-wage jobs eliminates difficulties in comparing part-time workers with full-time workers. Since the poverty thresholds are adjusted for inflation, the distribution of workers in these three categories in 1979 and 1987 are directly comparable.

Wage and salary income is defined as total money earnings received from work performed as an employee during the income year. It includes wages, salary, Armed Forces pay, commissions, tips, piece-rate payments and cash bonuses earned, before deductions are made for taxes, bonds, pensions, union dues, etc.

By restricting attention to wage and salary workers, the analysis excludes self-employed persons and farmers. In 1979, about 2.0 million persons or 3.6 percent of the 16- to 34-year-old population were dropped for this reason. In 1987, about 2.3 million individuals ages 16 to 34, or 3.8 percent of the population were dropped.

Since the farm population is less than 10 percent of the rural population and less than 10 percent of the rural poor *(O'Hare, 1988)*, excluding them from the study will not have a major impact. Furthermore, since the farm economy deteriorated significantly between 1979 and 1987, the figures presented here are likely to understate the extent to which the the income of rural workers declined.

Although the CPS is the best data source for conducting this study, there is one problem with this source that deserves special mention. In 1984, the CPS sampling frame was redesigned in a manner that shifted the residential status of nearly 20 million people from nonmetro to metro areas *(O'Hare, 1988, p. 3)*. In other words, about 28 percent of the population defined as nonmetro in 1983 were reclassified into the metro category in 1985.

Many analysts believe this resulted in increased poverty rates for nonmetro areas because many of the areas transferred from nonmetro to metro status were more prosperous than those which remained in the nonmetro category. While this reclassification had a significant impact on nonmetro areas, Johnson *(1989)* points out, "there is no

simple resolution to the problem of metropolitan reclassification." It is virtually impossible to know how the reclassification of counties affects our analysis.

The changes the in the CPS between 1979 and 1987 make comparisons of absolute numbers over this period inappropriate. Consequently we focus on changes and comparisons of percentage distributions and means.

Our analyses are confined to persons 16 to 34 years old who were in the work force in 1979 and 1987, and the corresponding sample sizes were 37,428 persons in 1979 and 36,039 in 1987. The 1979 CPS contained 11,981 cases for rural workers ages 16 to 34 and these were weighted to represent 14.6 million persons. In 1987, there were 8,031 cases representing 11.2 million young rural workers in the CPS.

In addition to analysis of workers by metro status, this research examines changes in the distribution of young rural workers by numerous classifications, including sex, race full-time/part-time status, industrial sector, and location in one of the nation's nine Census geographic divisions. Definitions used in the study conform to standard Census Bureau usage.

There seems to be a growing interest in determing the proper comparison group for the rural population. While many studies compare the characteristics of the nonmetro population to those from metro areas, it should be noted that figures for the metropolitan population sometimes mask important differences between central cities and suburbs. Many of the major trends found in rural areas are also found in central cities, while suburbs appear quite different from either location. When central cities and suburbs are combined, affluent suburbs often hide the poverty of inner-city neighbhoods. Consequently, some analysts contend that comparisons of nonmetro and central city populations are more illuminating than comparisons between nonmetro and metro populations.

In present study we use the entire metro population as the comparison group for the nonmetro population in order to limit the number of comparisons and keep the focus on the rural population. In a future study we plan to compare the changes in the wages of young rural workers to those of similar workers in central cities.

RESULTS

Employment and Unemployment

While the focus of this study is on the wages of job-holders, it is clear that looking

only at those who have work does not provide a full picture of economic well-being. As we will show in the next section, young rural workers have fallen behind their urban counterparts during the 1980s in terms of wages, but they have also slipped in terms of their ability to obtain employment regardless of the wage rate.

For at least 20 years prior to 1980, the unemployment rate in rural areas was lower than that in urban areas. During the 1980s, however, unemployment rates in rural areas have exceeded those in urban areas. From 1980 to 1988, the nonmetro unemployment rate averaged 8.2 percent, while the metro rate averaged 7.3 percent.

In 1979, the unemployment rate in metro areas was 5.8 percent and the nonmetro rate was 5.7 percent *(U.S. Department of Agriculture, 1987)*. In 1987, the unemployment rate was 7.2 percent in nonmetro areas and 6.0 in metro areas. Things have improved somewhat in rural America since 1987, but rural areas still lag behind metro areas. By 1989, the unemployment rates were 5.7 percent in nonmetro areas and 5.2 percent in metro areas.

However, official unemployment data exclude discouraged workers - those who are unemployed but not actively seeking employment because they do not believe job opportunities are available. Also, official unemployment figures do not take into account "involuntary part-time" workers - workers employed in part-time jobs who would prefer full-time positions but cannot find them. Studies *(Lichter and Costanzo, 1987; or Shapiro, 1989)* have documented the fact that the relative numbers of discouraged and involuntary part-time workers are higher in nonmetropolitan areas than in metropolitan areas which contributes to an underestimation of the real extent of unemployment and underemployment in nonmetro areas compared with metro areas.

A study providing unemployment rates adjusted to include discouraged workers and half of the involuntary part-time workers estimated an unemployment rate of 8.0 percent in metro areas and 8.5 percent in nonmetro areas in 1979 *(U.S. Department of Agriculture, 1987)*. Similar figures for 1988 are 7.9 percent in metro areas and 10.1 percent in nonmetro areas *(Shapiro, 1989)*. While metro underemployment rates declined slightly between 1979 and 1988, nonmetro rates rose by 1.6 percentage points.

Since there is no official definition of unemployment based on the annual number of hours worked by an individual, it was impossible to calculate an annual unemployment rate in 1979 and 1987, using the March CPS files. However, percentages of individuals ages 16 to 34, who were unemployed[3] the week preceding the survey were computed to

[3] "Unemployed persons are civilians who did not work during the survey week, made specific efforts to find a job in the prior 4 weeks and were available for work during the survey week (except for temporary illness). Persons waiting to be recalled to a job from which they have been laid-off or waiting to report to a new job within 30 days, need to be looking for work to be classified as unemployed" *(Current Population Survey, 1988)*.

measure the extent, as well of the change over the period, in unemployment of young workers.

In March 1980, 6.7 percent individuals ages 16 to 34 in metro areas were unemployed in the week preceding the survey compared 7.1 percent in nonmetro areas. In March 1988, 5.8 percent of persons ages 16 to 34 living in metro areas were unemployed compared to 7.8 percent of those living in nonmetro areas. In other words, the unemployment rate for young adults in metro areas decreased between 1979 and 1987 while it increased for young adults in rural areas.

The magnitude of unemployment and underemployment in rural America is important for two reasons. First, it is clear that wage differentials between young urban and rural workers do not tell the whole story about the economic deterioration in rural America. Second, rates of unemployment and underemployment are important because they may well be a factor in the deterioration of wages. The larger share of rural workers who are unemployed or underemployed may have played a role in the deterioration of wages. The large number of unemployed and underemployed people in rural labor markets provided employers with an abundance of potential employees. With a higher labor surplus than their urban counterparts, rural employers had less incentive to raise wages.

THE DECLINING WAGES OF RURAL WORKERS

Our analysis shows that the 4.7 percent increase in the share of young workers in low-wage jobs noted by the Senate Budget Committee study *(Committee on the Budget, 1988, p. 7)*, was largely due to deterioration of wages among young rural workers. Between 1979 and 1987 there was a 4 percentage point increase in the proportion of young workers in urban areas having low-wage jobs, but there was an increase of 11 **percentage points for young workers in rural areas** of the country *(see Table 1)*. Both changes were statistically significant. In 1987, 57 percent of young workers in rural America (6.3 million people) were working in low-wage jobs.

If young rural families[4] had to depend on one worker for their sole economic support, Table 1 indicates that nearly six out of ten (57 percent) would be poor. Even if that worker was a full-time year-round worker, Table 4 shows that about four out of ten (41 percent) would be in poverty.

Having a low-wage job does not necessarily mean that the standard of living of a particular individual is low, because he or she may live with a family where others are

[4]Assuming an average family size of four.

working. However, the overall increase in the proportion of young low-wage earners in rural areas is striking and has paralleled the increase in rural poverty rates during the 1980s. As the share of young rural workers in low-wage jobs went from 46 percent in 1979 to 57 percent in 1987, the poverty rate in rural areas went from 13.8 percent to 16.9 percent.

The increase in the share of workers in low-wage jobs combined with a decrease in middle-wage jobs and nearly unchanged share in high-wage jobs experienced by young rural workers in the 1980s is a process labeled "downward wage polarization" by the Senate Budget Committee, because the middle segment is decreasing, resulting in polarization, and most of those formerly in the middle segment moved to the low-wage segment. While the same phenomenon was evident among young urban workers, it was much more pronounced in the rural work force.

In 1979, there was a larger share of young rural workers in middle-wage jobs (53 percent) than in low-wage jobs (46 percent), but by 1987 the reverse was true *(see Table 1)*. Nearly all of the loss in the proportion of individuals in the middle-wage category was offset by an expansion of the lower category. While there was an erosion of wages for young workers in urban areas there were still more workers in middle-wage jobs than in low-wage jobs in 1987.

TABLE 1. Share of Urban and Rural Workers Ages 16 to 34 in Low-, Middle-, and High-Wage Jobs and Mean Earnings of Young Workers, 1979 and 1987.

	URBAN			RURAL		
	Percent distribution		Change	Percent distribution		Change
	1979	1987	1979-87	1979	1987	1979-87
Low-wage	37	41	+4	46	57	+11
Middle-wage	62	57	- 5	53	42	- 11
High-wage	2	2	0	1	1	0
	MEAN EARNINGS (in 1987 dollars)					
	$14,103	14,254	+1	$11,992	10,490	-13

SOURCE: The data for 1979 are from the Census Bureau's *Current Population Survey* conducted in March 1980 (with 1980-based weights); the data for 1987 are from the Census Bureau's *Current Population Survey* conducted in March 1988.

Details may not add to 100 percent due to rounding.

The wage deterioration of young workers in rural areas is also reflected in their mean earnings. Not only were the wages of young rural workers considerably lower than those in urban areas in 1979 (mean earnings were $11,992 in 1987 dollars for rural

workers compared to $14,103 for urban workers), the real income for young workers in rural areas **declined by 13 percent** between 1979 and 1987, compared to an increase of 1 percent in metro areas *(Table 1)*. As a result, by 1987 the mean earnings of young workers in urban areas ($14,254) was **36 percent higher** than in rural areas ($10,490) compared to 18 percent higher in 1979. In other words, **the gap between mean earnings of young workers in rural and urban America doubled between 1979 and 1987.** This decrease in the wages of young rural workers occurred despite the fact that a slightly larger share of workers were full-time workers in 1987. In 1979, 46 percent of young rural workers were full-time year-round employees compared to 48 percent of workers in 1987.

On the other hand, part of the difference between earnings of rural and urban workers can be attributed to the fact that a larger share of young urban workers worked full time. In 1987, 47 percent of young rural people who worked at some point during the year worked full time year-round compared to 53 percent for young workers in urban areas. The higher rate of part-time employment among young nonmetro workers may reflect the marginal nature of many of the job opportunities in rural areas, where part-time or temporary employment is all that is available.

However, differences in full-time/part-time status explain very little of the rural/urban differences in wages of young workers. Even among those employed full time year-round, young adults in urban areas earn more than those in rural areas. In 1987, the mean earnings for young urban adults employed in full-time year-round jobs ($21,352) was 27 percent above that for rural youth ($16,795) *(see Table 4)*.

While the significant decrease in wages for young rural workers is clear, all of the reasons for this change are not clear. In the remaining parts of this section we examine changes among selected subgroups of workers in order to explore some of the potential explanations for the trends noted above.

Changing Wage Rates for Men and Women

Our analysis shows that there was significant wage deterioration for both males and females in rural areas between 1979 and 1987, but it was much greater for males than for females *(see Table 2)*. The mean earnings for young male workers in rural areas decreased by a **remarkable 16 percent** between 1979 and 1987 *(see Table 2)*. For young rural female workers, there was a decrease of 3 percent in earnings.

Changes in earnings of young workers in urban areas contrast sharply with the experiences of young rural workers. Young urban males suffered a decline of only 4 percent in wages between 1979 and 1987, while **young urban females actually experienced a real increase in mean earnings of 12 percent.**

TABLE 2. Share of Urban and Rural Workers Ages 16 to 34 in Low-Wage Jobs and Mean Earnings of Young Workers in 1979 and 1987 by Sex.

	URBAN			RURAL		
	Share of Workers in Low-Wage Jobs					
	1979	1987	Change 1979-87	1979	1987	Change 1979-87
Males	29	36	+7	36	49	+13
Females	45	47	+2	57	66	+9
	MEAN EARNINGS (in 1987 dollars)					
Males	$17,514	16,820	-4	$15,327	12,914	-16
Females	$10,211	11,440	+12	$ 8,051	7,776	-3

SOURCE: The data for 1979 are from the Census Bureau's *Current Population Survey* conducted in March 1980 (with 1980-based weights); the data for 1987 are from the Census Bureau's *Current Population Survey* conducted in March 1988.

Although wages of young women gained on those of young men during the 1979-87 period, young women still trail far behind young men in both urban and rural areas. Among young full-time year-round workers in rural areas, females made 72 percent of what a male earned in 1987, up from 66 percent in 1979. The mean 1987 annual earnings for young males in rural areas who worked full-time year-round was $18,841 compared to $13,514 for females. In urban areas, young women who worked full time made 75 percent of the wages received by similar young men in 1987, up from 68 percent in 1979.

Changing Wage Rates of Whites and Blacks

The Senate Budget Committee study of changes in national wages points out that, "downward wage polarization is color blind" *(Senate Budget Committee, 1988, p. 5)*. The study showed that both whites and nonwhites have seen the proportion of workers in jobs paying hourly wages below the poverty level expand at the expense of middle-wage jobs. The same pattern is seen for both young whites and blacks in rural areas.

Table 3 shows that wages of young whites and blacks in rural areas declined significantly between 1979 and 1987, but blacks experienced more of a reversal than did whites. The share of young rural black workers in low-wage jobs grew by 13 percentage

points while among young rural whites the share of workers in low-wage jobs grew by 10 percentage points over the period. Likewise, the mean earnings for young rural black workers fell by 15 percent compared to 12 percent for young white rural workers.

Examination of wage data of young rural workers by race shows that there is an extremely high concentrations of young black workers in low-wage jobs. Nearly three-quarters (72 percent) of all young black workers in rural America worked at low-wage jobs in 1987; up from 59 percent in 1979. Analysis not shown here indicates that **86 percent** of young black workers in rural areas who were employed part time worked for below poverty wages in 1987.

Since most rural blacks are located in the South, the data shown in Table 3 indicate that despite the general prosperity of the South during the 1980s, young rural blacks have been moving backwards. However, Table 6 indicates that generally the rural

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TABLE 3. Share of Urban and Rural Workers Ages 16 to 34 in Low-Wage Jobs and Mean Earnings of Young Workers in 1979 and 1987 by Race.

	URBAN			RURAL		
	Share of Workers in Low-Wage Jobs					
	1979	1987	Change 1979-87	1979	1987	Change 1979-87
Whites	36	40	+4	45	55	+10
Blacks	44	49	+5	59	72	+13
	MEAN EARNINGS (in 1987 dollars)					
Whites	$14,428	14,665	+2	$12,224	10,789	-12
Blacks	$11,723	11,433	- 3	$ 9,302	7,888	-15

SOURCE: The data for 1979 are from the Census Bureau's *Current Population Survey* conducted in March 1980 (with 1980-based weights); the data for 1987 are from the Census Bureau's *Current Population Survey* conducted in March 1988.

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areas of the South have not prospered during the 1979 to 1987 period and that most young workers in the South suffered wages deterioration that parallels that of young blacks.

Data in Table 3 also indicates that both young whites and young blacks suffered much less wage deterioration in urban areas. The mean earnings for young blacks fell by 3 percent but the mean earnings for young whites actually grew by 2 percent. The share of workers in low-wage jobs, however, increased from both groups.

Changes Among Full-Time and Part-Time Employees

One might be inclined to think that the decline in wages among young rural workers is the result of an increase in the share of workers working just part time. That is not the case. The share of workers in full-time jobs actually increased slightly between 1979 and 1987, but more to the point there was a deterioration of wages for both part-time and full-time workers.

Data in Table 4 indicates that among young rural adults, part-time workers are nearly twice as likely as full-time workers to be in low-wage jobs in 1987. While more than three-quarters (76 percent) of part-time workers were in low-wage jobs, only 41 percent

TABLE 4. Share of Urban and Rural Workers Ages 16 to 34 in Low-Wage Jobs and Mean Earnings of Young Workers in 1979 and 1987 by Full-time/Part-time Status.

	URBAN			RURAL		
	Share of Workers in Low-Wage Jobs					
	1979	1987	Change 1979-87	1979	1987	Change 1979-87
Part-Time	59	66	+7	68	76	+8
Full-Time*	19	24	+5	29	41	+12
	MEAN EARNINGS (in 1987 dollars)					
Full-Time*	$22,011	21,352	-3	$19,088	16,795	-12
Part-Time	$ 6,829	6,186	-9	$ 6,098	4,751	-22

SOURCE: The data for 1979 are from the Census Bureau's *Current Population Survey* conducted in March 1980 (with 1980-based weights); the data for 1987 are from the Census Bureau's *Current Population Survey* conducted in March 1988.

**Year Round workers*

of full-time workers worked in low-wage jobs. Consequently, if there were a shift from full-time to part-time employment during the period it might account for the decline in wages for young rural workers between 1979 and 1987. Analysis not shown here indi-

cates, however, that 46 percent of young rural workers were full-time workers in 1979 and that figure increased to 48 percent in 1987. Clearly the decline in rural wages is not due to increased proportions of workers in part-time status.

Furthermore, Table 4 indicates that there was wage deterioration for both full-time and part-time workers. The share of young rural workers in low-wage jobs increased by 8 percentage points for part-time workers and 12 percentage points for full-time workers *(see Table 4)*. Both changes were statistically significant.

Data in Table 4 also indicates that the real wages of young rural part-time workers **decreased by 22 percent** between 1979 and 1987, while the decrease for those working full time was 12 percent. Among young full-time workers, the probability of working in a low-wage job was 71 higher for those in rural areas than for those in urban areas.

The Impact of Shifting Industry Mix

Some observers might think that the decline in incomes for young workers in rural areas is the result of shifts in the employment base of rural areas, specifically the shift from manufacturing to service jobs. While the shift from manufacturing to service jobs has exacerbated the trends for young workers in rural areas, the impact of this factor was a relatively minor. The shift from manufacturing to services has not been large and there has been significant wage deterioration in all sectors of the rural economy.

The deterioration of wages for young workers in rural America was felt in every major sector of the economy. In each of the six major sectors shown in Table 5, the share of young workers in low-wage jobs grew between 1979 and 1987.

The share of young rural workers employed in manufacturing has declined over the period, while the service industry attracted an increasing share of workers in rural areas, but the shifts in these two sectors between 1979 and 1987 were relatively small. The share of young rural workers in service jobs went from 28 percent in 1979 to 29 percent in 1987, while the share in manufacturing declined from 25 percent to 22 percent *(see Table 5)*.

More than half of the young workers (58 percent) who lived in rural areas in 1987 and who worked in the service industry had low-wage jobs compared with 42 percent of those working in the manufacturing industry *(see Table 5)*. These data clearly indicate that the service sector provides lower wages than the manufacturing sector, which means that the shift from manufacturing to services during the early 1980s had a depressing effect on mean earnings.

Not only has the share of young rural workers in the lower-paying service sector grown while the share in the higher-paying manufacturing sector increased, there have been detrimental shifts within each sector. The proportion of young rural workers in service industries who held low-wage jobs increased from 49 percent in 1979 to 58 percent in 1987, while the share of young workers in low-wage jobs in the manufacturing sector went from 31 to 42 percent during the same period *(see Table 5)*. Other sectors experienced similar increases in the share of workers in low-wage jobs.

TABLE 5. Distribution of Young Rural Workers Across Industries and Change in Share of Workers in Each Industry in Low-Wage Jobs, 1979-1987.

	1979		1987	
	Share of Workers in Industry	Percent in Low-Wage Jobs	Share of Workers in Industry	Percent in Low-Wage Jobs
Extraction	7	61	7	74
Manufacturing	25	31	22	42
Trade	24	61	28	72
Service	28	49	29	58
Government	4	33	4	37
Other	13	33	10	39

SOURCE: The data for 1979 are from the Census Bureau's *Current Population Survey* conducted in March 1980 (with 1980-based weights); the data for 1987 are from the Census Bureau's *Current Population Survey* conducted in March 1988.

There was a 4 percentage point increase between 1979 and 1987 in the share of young rural workers employed in retail and wholesale trade. The large increase in this sector of the economy is significant because 72 percent of young rural workers in that industry were in low-wage jobs in 1987.

Data not presented here indicates that similar deterioration was seen among young urban workers in both the services and manufacturing sectors, but the decline was much less severe.

Changes in Census Geographic Division

With the exception of New England, young rural workers in all major sections of the country suffered significant wage deterioration between 1979 and 1987 *(see Table 6)*. In fact, the decline of wages across rural America is remarkably consistent. There was at least a 10 percentage point increase in the share of young rural workers in low-wage jobs in every area of the country except New England where there was no change at all. The changes in all Census geographic divisions outside of New England were statistically

TABLE 6. Change in Share of Urban and Rural Workers Ages 16-34 in Low-Wage Jobs, 1979 and 1987 by Census Division.

	URBAN Share of Workers in Low-Wage Jobs			RURAL Share of Workers in Low-Wage Jobs		
	1979	1987	Change 1979-87	1979	1987	Change 1979-87
New England	40	32	-8	43	43	0
Middle-Atlantic	35	35	0	42	54	+12
East North Central	34	43	+9	42	55	+13
West North Central	36	40	+4	46	57	+11
South Atlantic	41	43	+2	48	59	+11
East South Central	42	53	+11	49	59	+10
West South Central	41	47	+6	50	63	+13
Mountain	38	43	+5	45	61	+16
Pacific	41	34	+7	52	41	+11

SOURCE: The data for 1979 are from the Census Bureau's *Current Population Survey* conducted in March 1980 (with 1980-based weights); the data for 1987 are from the Census Bureau's *Current Population Survey* conducted in March 1988.

significant and they range from a low of 10 percent points in the East South Central states to a high of 16 percentage point in the Mountain states.

The geographic pervasiveness of the wage degeneration for young rural workers is testimony to the faltering economy in most of rural America. Many industries that were the backbone of the rural economy (agriculture, gas, oil, mining and routine manufacturing) deteriorated during the 1980s *(O'Hare, 1988; U.S. Department of Agriculture, 1988)*. Consequently, what normally might be a local or regional problem became a national one. Moreover, rural communities are more likely than urban areas to depend upon a single industry for their economic base and therefore are more likely to be affected by an industry specific recession or depression.

DISCUSSION

Data examined here clearly indicate that the wages of young rural workers declined much more than those of young urban workers between 1979 and 1987. The data also indicate that the decline of wages for young rural workers was pervasive.

It is a mistake to equate the problems of the rural working poor with the farm problems. Indeed, the majority of the rural working poor are not farmers, and the farm crisis has played only a minor role in the deterioration of the rural economy during the 1980s. Analysis presented here which does not include farmers shows that the decline of wages for young rural workers occurred in every major economic sector and in every region of the country outside of New England. Recent problems in the rural areas stem from economic changes that encompass much more than the farm economy.

During the 1960s and 1970s many nonmetro counties competed successfully with metro areas in attracting and creating new jobs, particularly in manufacturing industries. Many people are surprised to learn that more rural workers are employed in manufacturing than in farming. But this new growth was concentrated in routine manufacturing industries such as textiles, apparel or furniture production while more complex manufacturing industries such as those producing chemicals or electrical goods remained concentrated in urban areas. Routine manufacturing industries require less skilled labor for tasks such as garment inspection, repetitive assembly work, or simple machine operation *(McGranahan, 1987)*.

The share of metro and nonmetro labor force in manufacturing is nearly the same (17 percent in metro areas compared to 18 percent in nonmetro areas), but the distribution by type of manufacturing is very different. In metro areas about half of the workers in the manufacturing sector work in complex manufacturing industries where the number of jobs is expected to increase, but less than a third of nonmetro workers who are employed in manufacturing work in complex industries. The great majority of manufacturing workers in nonmetro America work in routine manufacturing industries that are expected to decline in the near future.

The deterioration of wages for young adults in America's rural areas appears to be the result of changes within the national and international economic system which have changed the role formerly played by rural workers.

Nonmetro economies are more reliant on unskilled labor, and rural workers must now compete with labor in many Third World countries. Many U.S. firms have moved production facilities to countries such as Mexico, Taiwan, Korea and the

Philippines, where the cost of labor is only a fraction of that in the U.S. This has cost jobs and depressed wages more among nonmetro workers than among those in metro areas. Furthermore, low-skilled workers are more likely to be replaced by mechanization and automation in both manufacturing and jobs in extractive industries.

The changes in rural areas are closely linked to the increase in the extent to which nonmetro economies are controlled by national and international forces. More than ever before, the pressures and constraints shaping work opportunities are out of the control of those living in our rural areas. Even the nonmetro counties that are growing economically and demographically are typically dependent on either tourist dollars or retirement income, which come from outside the local area.

Resource-based industries have historically been the economic foundation of rural areas and agriculture, forestry, fisheries and mining continue to employ a disproportionate share of rural workers. Resource-based industries are increasingly dependent on international relationships that are controlled by the Federal government and multinational corporations. The health of agriculture, mining and timber industries, for example, are heavily reliant on trade agreements, tariffs, and the value of the dollar vis-a-vis other currencies, and decisions regarding these issues are made in Washington and overseas capitals, not in nonmetro counties.

The broad economic changes outlined above are reflected in differential earnings by sex and metro status examined in this study. The emergence of "pink collar" industries, as well as expanding opportunities for professional women, have occurred disproportionately in urban areas, increasing the demand for young female workers. The 12 percent increase in their average pay between 1979 and 1987 reflects this heightened demand.

On the other hand, many of the industries that were the mainstay of rural male employment (for example, farming, mining, timber, and other extractive industries) have been in decline during most of the 1980s. The need for "muscle power," which is the hallmark of many of the traditional employment niches occupied by young rural male workers, has decreased because of increased mechanization and "exporting" jobs to countries with cheap labor. The fall-off in demand for young rural male workers is reflected in a 16 percent decline in the wages for young rural male workers between 1979 and 1987. By 1987, the average wage of young female full-time workers in urban areas was 95 percent that of young full-time male workers in rural areas. In 1979, this figure was 79 percent.

The decrease of wages for young workers documented in this study is clearly related to the rise of poverty among young rural families. O'Hare *(1988, p. 8)* found that the poverty rate for young rural families (those headed by persons ages 18 to 29) increased from 19 percent in 1979 to 32 percent in 1986. The rise of poverty for young rural families along with the shifting economic fortunes of male and female workers in rural America are likely to have ramifications for marriage and childbearing.

A large body of research has shown that poverty is closely linked to higher rates of divorce and separation, and research has shown that family structure is closely linked to economic roles of men and women. The dramatic decline of male earnings in rural areas is likely to affect fundamental decisions about getting married and having children as well as the structure of family interactions. Some of these topics will be pursued in our next *Working Paper* in this series.

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Appendix 16

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